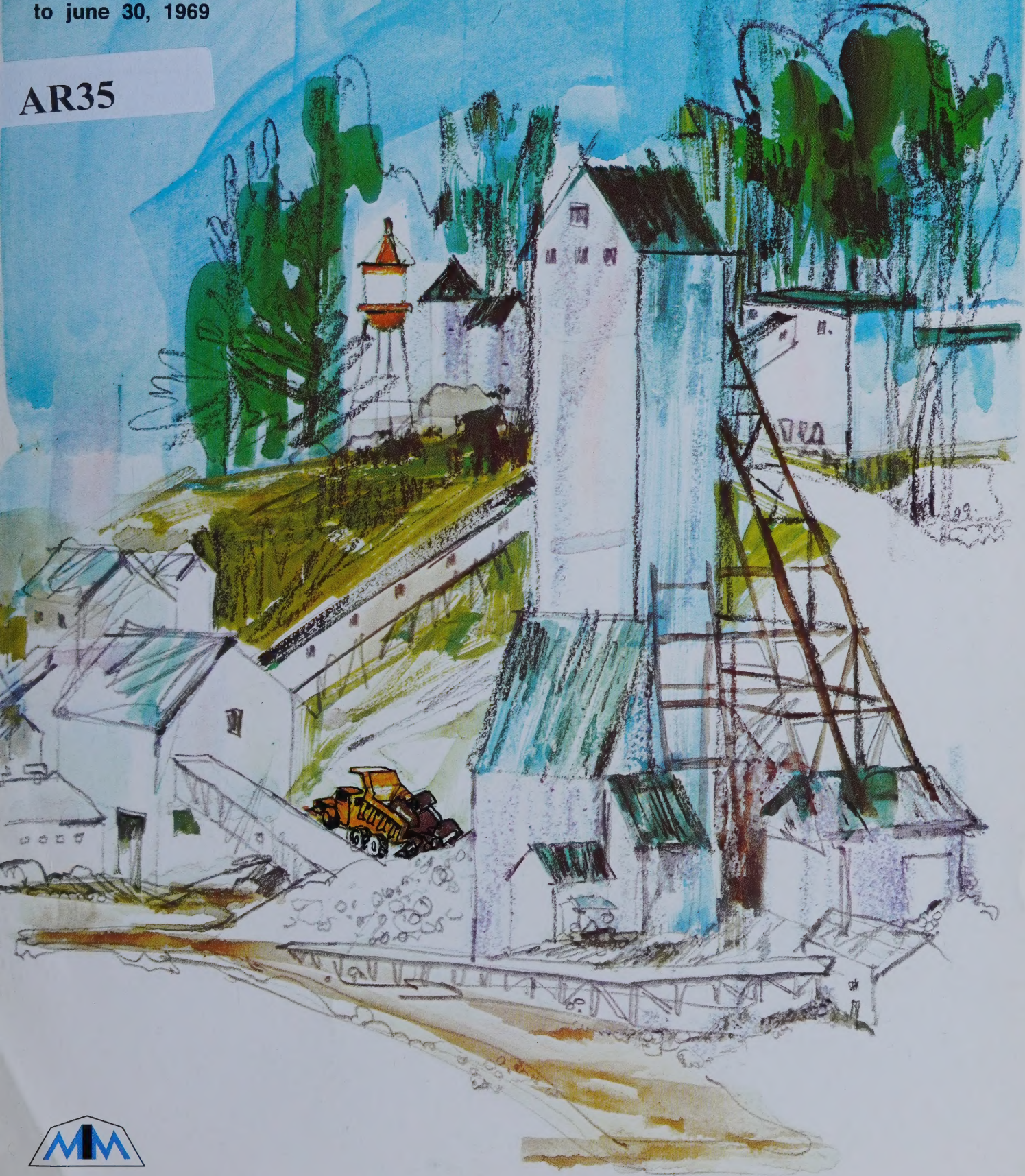


MERRILL ISLAND MINING CORPORATION, LTD.

(No Personal Liability)

18th Annual Report
to June 30, 1969

AR35





**Merrill Island
Mining
Corporation, Ltd.**
(No Personal Liability)

**18th Annual Report
to June 30, 1969**

Directors

CHARLES BOUFFARD
C. ANTOINE GEOFFRION, Q.C.
RANDOLPH P. MILLS
HUBERT J. MOCKLER
MAURICE SAMSON, O.B.E., C.A.
FRIDOLIN SIMARD
JEAN-PAUL TARDIF, M.S.C.

Officers

RANDOLPH P. MILLS, President
MAURICE SAMSON, O.B.E., C.A., Vice-President
HUBERT J. MOCKLER, Vice-President, Corporate Development
JOSEPH O. SABOURIN, F.C.I.S., Secretary-Treasurer

Transfer agent and registrar

CANADA PERMANENT TRUST COMPANY
600 Dorchester Blvd., West, Montreal 101, Que.

1901 Yonge Street, Toronto, Ont.

THE CANADIAN BANK OF COMMERCE
TRUST COMPANY
20 Exchange Place, New York, N.Y. 10005

Mine manager

EDWARD W. WATT, Chibougamau, Que.

Head office

Suite, 400, 621 Craig Street West, Montreal 101, Que.

Mine office

P.O. Box 5200, Chibougamau, Que.

Auditors

RIDDELL, STEAD & CO.
Chartered Accountants,
630 Dorchester Blvd. West, Montreal 101, Que.

*The Annual and Special General Meeting of
the Shareholders of Merrill Island Mining
Corporation Ltd. (No Personal Liability) will be
held in Windsor Hotel, Montreal, Canada,
on Friday, the 31st day of October, 1969,
at the hour of 11:00 o'clock in the forenoon
(Eastern Standard Time).*

President's Report to the Shareholders

Summary

Your Directors submit for your consideration the eighteenth Annual Report for the year ended June 30, 1969. Included in this report are the audited financial statements for the year ended June 30, 1969, comprising the Balance Sheet at that date and Statements of Earnings, Retained Earnings, Source and Application of Funds, the Mine Manager's Report and the Report of the Exploration Manager on exploration activities carried out during the year.

Earnings showed a substantial increase for the year and amounted to \$940,309 after charges, or 17.5 cents per share on the 5,420,340 shares of capital stock outstanding. Net cash generated was \$1,147,883 as compared with \$411,844 in the previous year.

Current assets were \$4,566,750 and current liabilities \$66,350, leaving net working capital of \$4,500,400 as compared with \$3,352,517 at the end of the previous year.

Milling operations were confined exclusively to the treatment of ore from the Icon Sullivan Joint Venture. Exploration activities were expanded and the search for uranium deposits through Quebec Uranium Mining Corporation, was continued.

Negotiation are underway for the acquisition of management control of six mining companies and it is hoped that these can be finalized in the next few weeks.

A Special General and Annual Meeting of Shareholders will be held for the purpose of considering a proposed increase in capital.

The following tabulation gives a summary of results in comparison with the previous two years.

	1969	1968	1967
Earnings from operations before general and administrative expenses and exploration expenses	\$1,286,242	\$528,867	\$309,022
Per share	23.7¢	9.81¢	5.74¢
Net earnings for the year	940,309	184,896	59,757
Per share	17.5¢	3.4¢	1.1¢
Charges to operations not requiring use of funds	106,213	125,874	494,117
Net cash generated	1,147,883	411,844	530,356

Production

The company's mill treated a total of 225,026 tons of ore, or an average of 621 tons per operating day with a grade of 3.2% and a recovery of 96.02% containing 13,090,793 pounds of copper, and was operated exclusively on ores from the Icon Sullivan



View of Icon No. 1 open pit (now mined out) and adit through which ore is now being mined underground. Light area around adit shows gentle dip of ore beds.

Joint Venture. (Icon Syndicate). Income from toll charges was \$102,522 and the company's 10% participation of the profits from the Icon Syndicate amounted to \$306,792. The agreement with Icon Syndicate is for a period of five years, expiring in May, 1972.

A sink and float plant to beneficiate some of the low grade ore is being installed and this should increase the tonnage of economic ore available for milling, extending the life of the Icon Syndicate mine beyond May, 1972. The cost of the new plant will be paid out of current earnings and may result in a reduction of income for your company for a two or three month period. The main benefit will be from extending the life of the operation and making additional ore available for milling. If copper prices are maintained at the present level, there should be an increase in earnings from your participation in the Icon Syndicate during the coming year, despite the additional capital cost involved in the beneficiating plant.

Earnings

Earnings for the year before general administrative and exploration expenses were \$1,286,242 as compared with \$528,867 for the previous year. Net earnings after charges were \$940,309, equal to 17.5 cents per share on the 5,420,340 shares outstanding. This compares with earnings before charges of \$528,867 and net earnings of \$184,896, equal to 3.4 cents per share for the previous year. It should be noted that a large portion of income, namely, \$862,864 was derived from gain on the sale of investments, which cannot be expected to continue at this rate.

Financial position

Current assets as of June 30, 1969, amounted to \$4,566,750 consisting principally of cash and deposit receipts of \$1,625,967 and marketable securities at cost of \$2,174,697; current liabilities were \$66,350, leaving net working capital of \$4,500,400. This compares with current assets of \$3,477,844 and current liabilities of \$125,327, leaving net working capital of \$3,352,517 at the end of the previous year, an increase of \$1,147,883.

Exploration

Your company continued an active exploration program during the year and exploration expenses were \$165,599. Nine different properties were drilled, four of which were located in New Brunswick and five in the Noranda-Val d'Or area of Quebec. Details of the exploration program are contained in the Report of the Exploration Manager.

In addition, your company carried out underground exploration on the property of Tache Lake Mines at Antoinette Lake in the Chibougamau area, Quebec, under a lease agreement. The cost of driving an adit, drifting for a short distance on the ore zone, amounted to approximately \$60,000 which is carried as Deferred Exploration Expenses. Under the terms of the agreement Tache Lake has leased the property, amounting to approximately 1,200 acres, for a period of nine years and Merrill will be entitled to recover its exploration expenses from the first profits.



The No. 2 open pit at Icon with overburden removed and now ready for mining.

Uranium

Previous diamond drilling and exploration on the property had indicated a tonnage carrying near economic values in zinc with a substantial gold content. The exploration program was designed to determine if the gold values are consistent and are sufficient to make the mining operation profitable. The work done to date indicates that the gold values are erratic and are not sufficient to operate the property on an economic basis at current gold and base metal prices. The future potential of this property will be again reviewed when there is any significant change in metal prices.

Your company continued an active search for uranium through Quebec Uranium Mining Corporation in which your company is the largest shareholder. The company holds claims in the Mont Laurier area and in northern Ontario and north of Elliot Lake in the Blind River area.

In addition to detailed exploration on its properties, the company has been engaged in a large-scale aerial exploration program.

Flying a Piper Aztec equipped with a Gamma Ray Spectrometer, Magnetometer, Tracking Camera and Radar Altimeter linked to a 16-Channel Recorder, some 30,000 line miles of reconnaissance exploration has been completed to date. A number of anomalies have been indicated and selection of the most important ones for detailed follow-up by ground crews will be continued during the coming months.

Magnetics International, Ltd.

A substantial interest has been maintained in Magnetics International Ltd., which, during the year, brought into production its new plant to produce ferrite powders at Ogdensburg, New York. An important contract has been made to supply Itabira, a Brazilian iron ore company, with Jones Wet Magnetic Separators to treat approximately 10,000 tons of ore per day. A British subsidiary, Magsep Ltd., has been formed which has acquired the balance of the world-wide rights to the Jones Separator and engineering studies are now being completed for the construction of a plant to produce ferrite powders in the United Kingdom.

Proposed acquisition

Negotiations have been underway for some months for the acquisition from the J. P. Sheridan interests of management control of six mining companies. These consist of: New Hosco Mines Limited, Kidd Copper Mines Limited, The Shield Development Company Limited, White Star Copper Mines Limited, Belleterre Quebec Mines Limited and St. Lucie Exploration Company Limited.

Your company has proposed to pay a total of \$2,000,000 in cash, \$2,000,000 of interest bearing two-year debentures of which \$500,000 are convertible into 200,000 shares of Merrill Island capital stock and 100,000 shares of Merrill stock, such debentures and stock to be issued under an investment letter.



Icon No. 3 open pit where high grade copper ore is being mined.

Special
general meeting

General

Despite a great deal of effort on the part of your management it has not yet been possible to bring this negotiation to a satisfactory and successful conclusion.

At the Annual Meeting of the Shareholders which will also be held together with a Special General Meeting you will be asked to act on a proposed increase in the authorized capital of the company by the creation of 4,000,000 additional shares of \$1.00 par value and of 2,000,000 shares of preferred of a par value of \$5.00 each. The Meeting will also be asked to approve an increase in the Board of Directors from 7 to 8.

Your Directors believe that these proposals are in the best interests of all the shareholders and will provide for further expansion of your company's activities.

Your management has been active in trying to enlarge the scope of your company's operations. Exploration activities will be continued in the search for new ore deposits and negotiations are underway for other acquisitions in the natural resources field.

If present copper prices are maintained, your share in the profits from the Icon Syndicate during the coming year should show a substantial increase.

Your Directors wish to express their appreciation to Mr. E. W. Watt, the Mine Manager, Mr. R. L. Alexander, Manager of the Exploration Department, Dr. J. H. Morgan, your Consulting Geologist, and to all of the staff for their continued and loyal services throughout the year.

On behalf of the Board,



R. P. Mills,
President.

Montreal, Quebec.
September 19, 1969.



Aerial view of Icon showing No. 2 pit in foreground, No. 1 pit in center and No. 3 pit in background bordering on Lake Mistassini.

Mine Manager's Report to the Directors

Milling

There were 212,320 tons delivered from the Icon mine to the Merrill mill. Of this total, 205,026 tons were milled and 7,294 tons were added to the stockpile and will be milled next spring when the roads are closed to trucking.

The mill averaged 621 tons per operating day for 330 days. Time was lost in the months of August and December, as a result of lightning striking the ball mill motor during a severe electrical storm in August.

Metallurgical results for the period were as follows:

Tons milled	205,026
Grade of copper	3.32%
Tons of concentrate produced	24,917
Grade of concentrate	26.27%
Contained copper in concentrate (lbs)	13,090,793
Recovery	96.02%

Mining

The production of ore for the fiscal year under review was 220,938 tons and came from three sources: underground, pit #1 and pit #3, with the major portion coming from the underground workings. In addition to handling this quantity of ore, there were 87,819 cubic yards of overburden removed, 81,296 tons of waste and 15,237 tons of low grade material that were removed.

Work done is summarized as follows:

	<u>Underground</u>	<u>Pit #1</u>	<u>Pit #2</u>	<u>Pit #3</u>	<u>Total</u>
Ore broken (tons)	173,944	16,180	—	21,826	211,950
Ore mucked	175,325	26,164	—	19,449	220,938
Waste broken	11,443	1,371	15,626	51,574	80,014
Waste mucked	11,493	1,222	18,171	50,410	81,296
Low Grade broken	16,618				
Low Grade mucked	15,237				
Overburden removed (cu. yards)		6,938	45,252	35,630	87,820

General

Plans have been approved by the Icon Sullivan Joint Venture to install a heavy media ore sorter at the mine property. With this additional equipment it will be possible to treat and convert low grade material to ore and also to eliminate some of the waste from the present ore grade material.

Once again, I wish to express my thanks for the assistance of the staff throughout the year and to acknowledge my appreciation for the support received from the Officers and Directors of the Company.

Respectfully submitted,

E. W. Watt,
Mine Manager.

Exploration Manager's Report to the Directors

Summary of
exploration to
June 30, 1969

The company during the past fiscal year was actively exploring in the following areas — Nitchicun Lake, Northern Quebec; Chibougamau, Harricana River, Noranda to Val d'Or, Quebec; New Brunswick; eastern and northwestern Ontario; and central British Columbia.

Numerous proposals and properties were considered and examined.

Nine different properties were drilled, four located in southern New Brunswick and five located in the Noranda - Val d'Or area of Quebec. Your company drilled seven holes for 2324 feet while exploring an optioned property in Duprat Township. Under an agreement with Americ Mines Ltd., eleven holes were drilled on two adjacent properties of Rouyn Township for a total of 4834 feet. Development work is continuing on the Americ properties. Two other properties, one each in Louvicourt and Vauquelin Townships were explored and tested with diamond drilling under the direction of Jorex Limited. The latter program was sponsored by Jorex Limited, Dome Exploration (Canada) Ltd. and your company.

In Queens County, New Brunswick three separate properties were explored with 1930 feet of diamond drilling under option agreements with Ran-Lux Mines Ltd.

The fourth property in Queens County, optioned from J. J. Dolan of Saint John, N.B. was explored with six drill holes for a total of 2610 feet of drilling. This drilling indicated some interesting mineralization but not in economic proportions.

A group of claims located north of Jellicoe, Ontario were prospected, following aerial indicated anomalies but the results did not warrant further investigation.

Merrill maintained its interest with Falconbridge and Anaconda in the Archie Gamble Syndicate, 1969. This program was to include some follow-up work from 1968 on claims north-east of the Uchi Lake area and other areas of northwestern Ontario.

The joint prospecting program with Terra Nova Explorations Ltd. was continued in the Babine Lake area of British Columbia.

Merrill personnel took an active part in the aerial and ground search for uranium with Quebec Uranium Mining Corporation in various areas of northern Quebec and the Grenville Front of Ontario and Quebec.

Respectfully submitted,

R. L. Alexander,
Exploration Manager

Montreal, Quebec
September 12, 1969.

**MERRILL ISLAND MINING CORPORATION, LTD.** (No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

Balance Sheet
as at June 30, 1969**Assets**

		1969	1968		
Current assets	Cash and deposit receipts	\$1,625,967	\$1,052,164		
	Accounts receivable				
	Joint venture (Note 1)	345,014	282,387		
	Other	69,348	181,396		
	Current portion of note receivable	200,000	200,000		
	Marketable securities at cost (Note 2)	2,174,697	1,616,051		
	Inventory of supplies at cost	144,262	120,207		
	Prepaid expenses	7,462	25,639		
	<u>4,566,750</u>	<u>3,477,844</u>			
Investments	5% note receivable due 1971 less current portion included above	100,000	300,000		
	Investment in wholly owned unconsolidated subsidiary shares at cost and advances being approximately underlying book value	33,586	25,010		
		<u>133,586</u>	<u>325,010</u>		
Fixed assets at cost (Note 3)		<u>Cost</u>	<u>Accumulated Depreciation</u>		
	Mill, building and equipment	\$1,284,006	\$ 884,075	399,931	447,242
	Townsite lots and houses	628,805	325,943	302,862	358,572
	Mining properties	5,600	—	5,600	5,600
		<u>\$1,918,411</u>	<u>\$1,210,018</u>	<u>708,393</u>	<u>811,414</u>
Deferred exploration expenses			60,000	—	
			<u>\$5,468,729</u>	<u>\$4,614,268</u>	

SIGNED ON BEHALF OF THE BOARD:

R. P. Mills, Director

H. J. Mockler, Director

The accompanying notes are an integral part of this financial statement.

Liabilities

		1969	1968
Current liabilities	Accounts, payable and accrued	\$ 41,492	\$ 103,738
	Current portion of mortgage payable	24,858	21,589
		<u>66,350</u>	<u>125,327</u>
Mortgage payable	5¼ % secured by townsite houses and repayable by equal monthly instalments of principal and interest extending to 1972 less current portion included above	<u>45,552</u>	<u>72,423</u>
Contingent liability (Note 4)			
Shareholders' Equity			
Capital Stock	Authorized 6,000,000 shares of \$1 each		
	Issued		
	5,420,340 shares	5,420,340	5,420,340
	Premium received	1,487,720	1,487,720
		<u>6,908,060</u>	<u>6,908,060</u>
	Discount allowed	2,502,333	2,502,333
		<u>4,405,727</u>	<u>4,405,727</u>
Retained earnings		951,100	10,791
		<u>5,356,827</u>	<u>4,416,518</u>
		<u>\$5,468,729</u>	<u>\$4,614,268</u>

Auditors' Report

To The Shareholders

Merrill Island Mining Corporation, Ltd.
(No Personal Liability)

We have examined the accompanying financial statements of Merrill Island Mining Corporation, Ltd. (No Personal Liability) for the year ended June 30, 1969 comprising the balance sheet at that date and the statements of earnings, retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at June 30, 1969 and the results of its operations and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, & CO.

August 22, 1969

**MERRILL ISLAND MINING CORPORATION, LTD.** (No Personal Liability)**Statement of Earnings**

For the year ended June 30, 1969

	1969	1968
Milling revenue		
Joint venture profit sharing (Note 1)	\$ 306,792	\$ 157,895
Joint venture toll charge (Note 1)	102,522	96,787
Metal sale adjustments	376	22,226
Sale of broken ore less production cost	—	92,120
	<u>409,690</u>	<u>369,028</u>
Expenses — Milling		
Administration	17,899	31,247
Insurance, taxes and other	6,351	16,737
Depreciation (Note 3)	50,503	70,154
	<u>74,753</u>	<u>118,138</u>
Earnings from milling operations	<u>334,937</u>	<u>250,890</u>
Investment income		
Gain on sale of investments	862,864	224,463
Interest	124,238	99,797
Dividends	22,885	13,299
Loss on townsite houses including depreciation of \$55,710 in 1969 and \$55,720 in 1968 (Note 3)	(58,682)	(59,582)
	<u>951,305</u>	<u>277,977</u>
Earnings before general, administrative and exploration expenses	1,286,242	528,867
General and administrative expenses (Note 5)	<u>180,334</u>	<u>154,517</u>
Earnings before exploration expenses	1,105,908	374,350
Exploration expenses	<u>165,599</u>	<u>189,454</u>
Net earnings for the year (note 6)	<u>\$ 940,309</u>	<u>\$ 184,896</u>

The accompanying notes are an integral part of this financial statement.



MERRILL ISLAND MINING CORPORATION, LTD. (No Personal Liability)

Statement of Retained Earnings

For the year ended June 30, 1969

	1969	1968
Balance at beginning of year	\$ 10,791	(\$ 121,773)
Net earnings for the year	940,309	184,896
Adjustments to prior years' expenses	—	16,451
	<u>951,100</u>	<u>79,574</u>
Loss on disposal of assets	—	68,783
Balance at end of year	<u>\$951,100</u>	<u>\$ 10,791</u>

Statement of Source and Application of Funds

For the year ended June 30, 1969

Source of funds	Operations		
	Net earnings for the year	\$ 940,309	\$ 184,896
	Charges not involving an outlay of funds		
	Depreciation on mill, buildings and equipment	50,503	70,154
	Depreciation on townsite houses	55,710	55,720
		<u>1,046,522</u>	<u>310,770</u>
	Note receivable	200,000	—
	Sale of fixed assets	—	484,222
	Issue of capital stock	—	35,000
	Adjustment to prior years' expenses	—	16,451
		<u>1,246,522</u>	<u>846,443</u>
Application of funds	Deferred exploration expenses	60,000	—
	Reduction of mortgage payable	26,871	23,503
	Purchase of fixed assets	3,192	21,888
	Increase in advance to subsidiary	8,576	20,425
	Note receivable	—	300,000
	Loss on disposal of assets	—	68,783
		<u>98,639</u>	<u>434,599</u>
Increase in working capital		<u>1,147,883</u>	<u>411,844</u>
Working capital at beginning of year		<u>3,352,517</u>	<u>2,940,673</u>
Working capital at end of year		<u>\$4,500,400</u>	<u>\$3,352,517</u>

The accompanying notes are an integral part of this financial statement.



Notes to Financial Statements

Note 1. Icon Sullivan joint venture

Under an agreement dated May 1967, the company performs the milling of copper ore for the joint venture in consideration of a toll charge per ton of ore milled and 10% of net profits of the joint venture. The term of this agreement is for a period of five years expiring in May 1972, and is subject to cancellation on six months notice by either party.

Note 2. Marketable securities

	Quoted or Estimated Market	1969	Cost 1968
Bonds, debentures and shares at:			
Quoted market value	\$1,540,199	\$1,184,867	\$1,266,051
Estimated market value	989,830	989,830	350,000
	<u>\$2,530,029</u>	<u>\$2,174,697</u>	<u>\$1,616,051</u>

Note 3. Fixed assets and depreciation

Mill buildings and equipment are located on property leased at an annual rental of \$1 under an agreement extending for a period of seven years after the termination of the Icon Sullivan Joint Venture referred to in Note 1. These assets less estimated salvage value are being depreciated over the life of the joint venture agreement.

Townsite houses are being depreciated over a period of ten years.

Note 4. Contingent liabilities

The company is the defendant in legal actions of \$65,910 plus interest from March 1, 1966 and \$81,762 plus interest from November 30, 1956. The company has denied any liability in respect of these claims and has taken steps to support its denial of liability.

Note 5. General and administrative expenses

Included in this amount are directors' fee of \$12,800 (\$13,950 in 1968) and executive remuneration of \$34,700 (\$23,000 in 1968).

The company has an agreement with a service corporation to provide office space, accounting services, office employees and supervision of the Exploration Department. Fees paid to this corporation during the year ended June 30, 1969 amounted to \$22,500 (\$18,000 in 1968). Two of the principal shareholders of the third party are the President and Secretary-Treasurer of Merrill Island Mining Corporation, Ltd.

Note 6. Income taxes

No provision for income taxes is required for the current year as a result of the elimination of non-taxable income and the availability of exploration and depreciation expenses previously unclaimed for tax purposes. The total of these unclaimed expenses which remain to be carried forward against future taxable income amounts to approximately \$2,100,000 as at June 30, 1969. In addition, losses carry forward for tax purposes amounting to \$288,365 are available until June 30, 1973 against future taxable income.

Note 7. Proposed acquisition

The company is presently negotiating the acquisition of an interest in a group of mining companies for a consideration of approximately \$4,500,000. This acquisition, if completed, will be paid in cash, and by the issuance of debentures and treasury stock by the company.

